

## Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 EB-11 COME-00 OMB-01 TRSE-0\* SCEM-02

SCI-06 INT-08 NEA-10 CIEP-02 DRC-01 /159 W

----- 055812

P R 091857Z JAN 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 2336

INFO AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BOGOTA

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY LIMA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY PORT OF SPAIN

AMEMBASSY PORT AU PRINCE

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMEMBASSY TEGUCIGALPA

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EO 11652: NA

TAGS: ENRG VE

SUBJECT: VENEZUELAN WILL TAKE SOME OIL ROYALTIES IN KIND

1. ALL PETROLEUM COMPANIES HERE HAVE RECEIVED LETTERS FROM THE  
VENEZUELAN GOVERNMENT, NOTIFYING THEM THAT EFFECTIVE APRIL 8 THEY  
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ARE TO PAY 18 O/O OF THEIR ROYALTIES IN OIL RATHER THAN IN CASH.

TOTAL AMOUNT INVOLVED IS CLOSE TO 100,000 B/D. OIL WILL BE DELIVERED TO LOADING TERMINALS SPECIFIED BY GOVERNMENT AND COMPANIES WILL BE RE-IMBURSED FOR THEIR PIPELINE AND TERMINAL COSTS. TYPES OF OIL TO BE DELIVERED UNDER THIS SCHEME HAVE NOT YET BEEN SPECIFIED, I.E., GOVERNMENT HAS NOT SAID WHETHER 18 O/O OF EVERY TYPE OF CRUDE PRODUCED IN VENEZUELA WILL BE TAKEN (WHICH WOULD BE MECHANICALLY DIFFICULT) OR WHETHER SELECTED TYPES WILL BE SPECIFIED.

2. VENEZUELAN GOVERNMENT HAS NOT YET SAID TO WHICH LATIN AMERICAN COUNTRIES IT WILL MAKE THIS ROYALTY OIL AVAILABLE NOR HAS IT INDICATED TERMS AND CONDITIONS. PRESUMABLY THE OIL WILL BE MADE AVAILABLE AT LEAST TO CERTAIN CENTRAL AMERICAN COUNTRIES WHOSE ALLEGED NEEDS CONSTITUTE THE JUSTIFICATION FOR VENEZUELAN GOVERNMENT'S ACTION. EFFECT ON U.S., IF ANY, WILL DEPND ON WHAT ADJUSTMENTS OIL COMPANIES MAKE IN THEIR EXPORT PATTERNS AFTER IT BECOMES CLEAR IN WHICH DIRECTION VENEZUELA WILL MOVE ITS ROYALTY OIL.

3. MAJOR QUESTION REMAINING TO BE ANSWERED IS WHETHER VENEZUELA WILL OFFER ITS ROYALTY OIL ON PREFERENTIAL TERMS TO OTHER LATIN AMERICAN COUNTRIES. AT CURRENT MARKET PRICES, IF VENEZUELA SOLD THIS OIL AT ITS COST (THAT IS, AT AMOUNT IT WOULD HAVE OTHERWISE HAVE RECEIVED FROM OIL COMPANIES IN ROYALTIES AND INCOME TAX ON THE OIL) THE PRICE WOULD BE A PREFERENTIAL ONE. PRESUMABLY VENEZUELA WILL HAVE TO DO SOMETHING OF THE KIND IF IT WISHES TO GAIN POLITICAL CREDIT FROM ITS LATIN NEIGHBORS. OTHERWISE, IT WOULD ONLY INCUR THE ONUS WHICH NOW FALLS AT LEAST IN PART ON THE OIL COMPANIES AS MIDDLE MEN FOR HIGH PRICES THE CENTRAL AMERICAN AND CARIBBEAN NATIONS ARE HAVING TO PAY FOR THEIR OIL IMPORTS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, POLICIES, ROYALTIES, TAXES, EXPORT PRICES, PREFERENTIAL TARIFFS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974CARACA00245  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740154/aaaabyze.tel  
**Line Count:** 93  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 SEP 2002 by kelleyw0>; APPROVED <10-Sep-2002 by MorefiRH>  
**Review Markings:**

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30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VENEZUELAN WILL TAKE SOME OIL ROYALTIES IN KIND  
**TAGS:** ENRG, VE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005